BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes, 1997	Docket No. R97-1

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
DONALD M. BARON (NAA/USPS-T17-1-8)
August 5, 1997

The Newspaper Association of America hereby submits the attached interrogatories to United States Postal Service witness Donald M. Baron (USPS-T-17) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

August 5, 1997

_____
Alan R. Jenkins

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NAA/USPS-T17-1. Please refer to Table 1 at page 12 of your direct testimony concerning the calculation of fixed-time costs related to the "stops effect."

a. Please explain why you chose the lowest 20th percentile as your sample of one-letter stops to estimate "zero-volume" load times for SDR, MDR, and BAM stops.

b. Please provide the average load time for the entire sample of one-letter delivery stops for SDR, MDR and BAM stops.

c. For the estimates of "fixed time at stop" provided in this table, please provide the standard deviations of these estimates for the SDR, MDR, and BAM stop types

NAA/USPS-T17-2. Please refer to page 11, lines 15-17. You describe your estimates of fixed time per stop as "upper bound" estimates.

a. Please discuss what you would consider to be a reasonable "lower bound" of the fixed time per stop.

b. To the extent your fixed time per stop estimates represent the "upper bound" of the reasonable fixed time at stop, please confirm that application of these estimates will result in lower estimates of volume variable load-time costs than would the use of a "lower bound" estimate. If you cannot confirm, please explain your response.

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NAA/USPS-T17-3. Please refer to Equations (1) and (3) on pages 7 and 8 of your direct evidence. These equations are used to measure the volume variability of load time with respect to volume.

a. Please provide your interpretation of the coefficient α in each of these equations.

b. Does the coefficient α provide an estimate of the average fixed time per stop? If not, please explain why not.

c. Does the average fixed time per stop vary depending upon receptacle or container type? Please explain why or why not.

NAA/USPS-T17-4. Please refer to Equations (1) and (3) on pages 7 and 8 of your direct evidence.

a. Please confirm that the dependent variable, load time, in each of these equations is equal to the total load time at a particular stop, including both fixed time activities (*i.e.*, related to the "stops effect") and the time directly related to loading and collecting mail. If you cannot confirm, please explain what measure of load time was used in each of these equations.

b. Please explain whether the calculations used to derive the elasticities of load time with respect to volume are measured at the mean load time. If not, please explain how the elasticities were calculated and provide a simplified example.

c. If the response to part (b) is affirmative. Please explain whether the mean load time used in the calculation of the elasticities includes the fixed time associated with the "stops effect." If not, please explain how the mean load time was derived when measuring the elasticities.

d. Please confirm that the volume elasticities for load time are applied to the cost pool that remains after the fixed-time costs have been transferred to access cost.

e. If your responses to parts (a) and (d) above are affirmative, please explain whether the inclusion of the fixed component of load time in the estimation of the equations is inconsistent with the application of the resulting volume elasticities to load time costs excluding the fixed costs. If, in your opinion, there is no inconsistency, please explain why and demonstrate with a simplified example.

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NAA/USPS-T17-5. Please refer to Table 14 at page 39.

a. Please confirm that total accrued load time costs amount to $995,848 thousand under both the new and previous methodology. If you cannot confirm this figure, please explain.

b. Please confirm that $139,405 thousand of these total accrued costs are "fixed" or "coverage-related" load-time costs under the new methodology. If you cannot confirm this characterization of these costs, please explain what these costs represent.

c. Please confirm that $522,577 thousand of the total accrued costs are volume-variable load time costs. If you cannot confirm this figure or this characterization of these costs, please explain.

d. Please explain whether the remaining $333,866 thousand ($995,848 less $139,405 less $522,577) of costs are fixed or variable in nature.

e. Given that these costs are not fixed costs associated with coverage of the stop and that these costs are not variable with volume, please explain what the remaining $333,866 thousand of costs represent.

NAA/USPS-T17-6. Please refer to page 24, lines 8-15. You state that the "previous" approach uses equations 1 and 3 to calculate volume effects, and that the "only difference between this procedure and that proposed in Part1-Section I, is the size of the cost pool by which the volume elasticities are multiplied to determine the volume-variable costs."

a. Please compare the elasticities provided in Table 10 at page 29 (previous methodology) to the elasticities provided in Table 6 at page 22 (new methodology). Please explain why the elasticities applied to calculate volume-variable load-time costs for MDR stops are 0.65129 under the "previous" methodology and 0.71026 under the "new" methodology if the only difference is the size of the cost pool to which the elasticities are applied.

b. Please explain any and all differences in the equations or calculations used to estimate the different elasticities described in part (a) above.

c. Please compare the elasticities provided in Table 11 at page 30 (previous methodology) to the elasticities provided in Table 7 at page 23 (new methodology). Please explain why the elasticities applied to calculate volume-variable load-time costs for BAM stops are 0.52107 under the "previous" methodology and 0.52665 under the "new" methodology.

d. Please explain any and all differences in the equations or calculations used to estimate the different elasticities described in part (c) above

NAA/USPS-T17-7. Please refer to lines 13-17 on page 9 of your direct evidence.

a. Please explain what work does a carrier perform "to prepare for loading receptacles and collecting mail?"

NAA/USPS-T17-8. Please refer to line 15 on page 36 and lines 1-15 on page 37 of your direct evidence.

a. Does evidence exist that the additional block of time resulting from the coverage of a new delivery at an existing actual stop should not be the same as the additional block of time that results from coverage of a whole new MDR or BAM stop? If so, please provide such evidence and explain simply the significance of such evidence.

b. Please explain what work a carrier performs to prepare for loading receptacles and collecting at a new multidelivery actual stop.

c. Please explain what work a carrier performs to prepare for loading receptacles and collecting at a new actual delivery at an existing stop.

d. If the work performed related to T17-8(b) and (c) above is different, please explain how that difference supports recognizing the work performed related to T17-8(b) as "simply a component of access time" while recognizing the work performed related to T17-8(c) as "accounted for through the measurement of MDR and BAM elasticities of load time with respect to volume through the positive effect of volume increases on actual deliveries."